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UNCLAS SECTION 01 OF 02 AMMAN 007229

SIPDIS

SENSITIVE

USDOC FOR ADVOCACY CENTER - C JAMES
USDOC FOR 4520/ITA/MAC/ONE/COBERG
EXIMBANK FOR ROBERT MORIN
TDA FOR STEINGASS/SIGLER

E.O. 12958: N/A

TAGS: [BEXP](#) [EFIN](#) [FAIR](#) [JO](#)

SUBJECT: JORDAN: YET ANOTHER DELAY FOR BOEING

REF: AMMAN 6022

SENSITIVE BUT UNCLASSIFIED. PROTECT SENSITIVE BUSINESS INFORMATION.

[11.](#) (SBU) Summary. Minister of Transportation Nader Dahabi informed the Charge that an independent airline consultant has been brought in to analyze Boeing/Airbus offers to sell short-haul jets to Royal Jordanian Airlines (RJ) (REFTEL). The analysis, which will delay yet again a decision by RJ by approximately six months, will be done as the government and RJ deliberate a proposal that the Social Security Corporation (SSC) purchase the jets and lease them back to RJ. This delay is likely to disappoint Boeing as it further extends an already long and arduous process. End Summary.

YET ANOTHER DELAY

[12.](#) (SBU) During a meeting that covered a range of transportation issues (SEPTEL), Minister Dahabi informed the Charge that, as a possible option to upgrade Royal Jordanian's fleet (REFTEL), the Ministry of Transport (MOT) may ask the Social Security Corporation (SSC) to purchase the jets and lease them back to RJ. Dahabi said he is going to sit down with the minister of Labor and the CEO of the SSC to "look at RJ's case". If it looks like the right idea, the SSC will negotiate directly with RJ. He emphasized that the SSC would need to see a viable business plan from RJ to be sure the investment makes sense.

[13.](#) (SBU) Concurrently, Dahabi said, RJ has asked an independent airline consultant, SH & E, to examine competing offers from Boeing and Airbus to determine which would be best for RJ, or whether leasing rather than direct purchase might be a more viable option. He said SH & E, which is based in London but has offices in New York and Chicago, would come to Jordan after the holidays to begin the analysis. He said using an external consultant would ensure that the process was transparent. Acknowledging that this would stretch out the process, Dahabi said that "if we take another five to six months, it won't hurt us". He added that he had recently informed the French Ambassador about the SSC option, but had yet to inform him about the consultants.

[14.](#) (SBU) Dahabi said, in a meeting RJ CEO Samir Majali had with PM Abul Ragheb two months ago, the PM advised Majali and the RJ Board that "now was not the right time to buy, because we don't know what will happen with Iraq". Dahabi said the PM suggested that, given cash flow concerns at RJ, leasing might be a better option. He reiterated the government's strong position that it would not guarantee any RJ loans, consistent with its strategy since 1994, and RJ's status as a self-sustaining company, even if state-owned.

[15.](#) (SBU) Dahabi said that the Jordanian Government and RJ's caution goes back to the Gulf War. He said RJ made a deal in 1987 to purchase 14 Airbus A-310s. The first one was delivered on schedule in 1990. However, with the impact on air travel due to the Gulf War, RJ was unable to make its monthly payments and defaulted. When Dahabi became CEO of RJ in 1994, he said he noticed that RJ was paying JD1 million (\$1.4 million) per month for the deal, "twice what anyone else in the world was paying for A-310s". He said RJ defaulted again, and, following a restructuring of the deal, is still paying \$500,000 per month. (Note: Despite the government's and RJ's wariness over the 1987 deal, RJ concluded a deal in January with Airbus to lease widebody aircraft. End note.)

COMMENT

[16.](#) (SBU) Thus opens yet another chapter in an unnecessarily long saga. While the possibility of the SSC getting involved in the RJ deal is intriguing, Boeing is likely to be disappointed by the selection of an independent consultant to

analyze the Boeing/Airbus offers. We are inclined to be skeptical of the additional credibility it could bring to the process, which has already been painstaking. In the past, Boeing has been reluctant to share proprietary information, so a lot will depend on the consultant to be selected. We will continue to keep a close watch on the process, with particular emphasis on the prospective benefits to the bilateral relationship of contracts being awarded to Boeing as soon as possible.

BERRY